



WASTEWATER RATE REPORT FY2015

City of Casa Grande

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Executive Summary

The City of Casa Grande Wastewater service expenditures are 100% user fee funded. The rates to provide this funding are reviewed annually to ensure the revenue is sufficient to pay for the expenditures. There is also a loan requirement that the City meet certain benchmarks to ensure repayment of the loan issued to finance the wastewater treatment plant expansion

Financial Picture

The following schedule presents the current financial picture of the wastewater operations fund. As shown, Wastewater Treatment Development Impact Fees are not generating revenue sufficient to cover their portion of annual debt service. As these payments are required the Wastewater Operating Fund must cover the shortfall of funds for annual debt payment. This results in a declining cash balance.

The main driver of the rate increase is the requirement to repay the debt for the wastewater treatment plant expansion. At the time the expansion was planned, it was assumed that growth would pay more than 50% of the debt service based on the construction costs for new capacity in relation to upgrading existing systems. Growth has not maintained the rate anticipated and the Operating Fund is required to make up the difference under the terms of the loan agreement with the Water Infrastructure Financing Authority. Although established as a loan there is no anticipation that the rate of growth will increase to the point that this loan may be repaid from Impact Fees generated in the near future.

Based on current projections additional rate increases will be required on an annual basis to maintain operations and cover existing debt service. In the following projection this fund is utilizing existing savings to offset ongoing expenditures as rate increases are phased in over the five-year period. Not until FY2019 are annual revenues sufficient to cover annual expenditures.

For a more comprehensive look at the wastewater rates, please look on the city web site at the rate study completed in 2009. The web address is:

<http://casagrandeaz.gov/dept/finance/comprehensive-rate-studies/>

If you have any questions, please contact Doug Sandstrom at dsandstrom@casagrandeaz.gov or by phone at (520)421-8600.



**WASTEWATER OPERATING (520)
FIVE YEAR FORECAST**

Projection #1	Actual FY2013	Forecast FY2014	Budget FY2015	Projected FY2016	Projected FY2017	Projected FY2018	Projected FY2019
Beginning Cash	\$ 7,339,104	\$ 6,666,600	\$ 5,837,600	\$ 4,036,900	\$ 3,631,800	\$ 3,484,500	\$ 3,466,600
User Fees	6,317,053	7,375,000	8,775,000	10,226,800	11,057,200	11,683,100	12,339,800
Penalty	278,170	200,000	150,000	150,000	150,000	150,000	150,000
Effluent Sales	56,804	57,000	57,000	57,000	57,000	57,000	57,000
Other	64,883	32,500	12,500	12,500	12,500	12,500	12,500
Available Cash	\$ 14,056,014	\$ 14,331,100	\$ 14,832,100	\$ 14,483,200	\$ 14,908,500	\$ 15,387,100	\$ 16,025,900
Personnel	712,310	708,300	902,300	947,400	994,800	1,044,400	1,096,500
Contract/Supplies	1,929,938	3,700,400	2,931,200	3,078,100	3,231,900	3,393,300	3,563,100
Capital	1,854,062	717,500	1,631,300	1,500,000	1,500,000	1,500,000	1,500,000
Debt	2,893,104	3,367,300	5,330,400	5,325,900	5,697,300	5,982,800	5,985,600
ENDING CASH	\$ 6,666,600	\$ 5,837,600	\$ 4,036,900	\$ 3,631,800	\$ 3,484,500	\$ 3,466,600	\$ 3,880,700

Debt Service From DIFs	2,872,573	1,500,000	155,000	155,000	155,000	155,000	155,000
DIF Shortfall (loan from operations)*	0	996,082	2,341,082	2,341,082	2,341,082	2,341,082	2,341,082

*FY2012 & FY2013 shortfall was loaned from Collection portion of Development Impact Fee

Assumptions:

Residential Customers	14,191	14,400	14,688	14,982	15,207	15,435	15,667
Growth Rate			2.0%	2.0%	1.5%	1.5%	1.5%
Commercial Customers	859	816	828	845	862	879	897
Growth Rate			1.5%	2.0%	2.0%	2.0%	2.0%
Anticipated Consumption	48,500	67,000	70,350	73,868	77,561	81,439	85,511
Growth Rate			5.0%	5.0%	5.0%	5.0%	5.0%
Personnel				5.0%	5.0%	5.0%	5.0%
Contract/Supplies				5.0%	5.0%	5.0%	5.0%

Monthly Rate Increase

	2014	2015	2016	2017	2018	2019
Residential Base Fee		5.00	5.00	2.00	1.00	1.00
Commercial Base Fee		2.00	1.00	1.00	1.00	1.00
Commercial Consumption Rate		0.42	0.30	0.20	0.15	0.15
Industrial Consumption Rate		0.65	0.30	0.20	0.15	0.15
Multi-Family		3.10	3.15	1.20	0.65	0.60

RATES

	Current	2015	2016	2017	2018	2019
Residential	28.70	33.70	38.70	40.70	41.70	42.70
Commercial Base	13.92	15.92	16.92	17.92	18.92	19.92
Commercial Consumption	2.38	2.80	3.10	3.30	3.45	3.60
Industrial	2.15	2.80	3.10	3.30	3.45	3.60
Multi-family	17.85	20.95	24.10	25.30	25.95	26.55

Residential	16%	17.4%	14.8%	5.2%	2.5%	2.4%
Commercial Base	16%	14.4%	6.3%	5.9%	5.6%	5.3%
Commercial Consumption	16%	17.6%	10.7%	6.5%	4.5%	4.3%
Industrial	16%	30.2%	10.7%	6.5%	4.5%	4.3%
Multi-family	16%	17.4%	15.0%	5.0%	2.6%	2.3%